

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION: Management's Discussion and Analysis	5-11
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	19
Statement of Net Assets - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22-23
NOTES TO FINANCIAL STATEMENTS	25-35
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	36
INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE	37



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CPA
Roger O. Richins, CPA
James R. Beaudoin, PFS, CFP, CPA
Wade K. Wardins, CPA

INDEPENDENT AUDITORS' REPORT

Board of Fire Commissioners
South Davis Fire District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of South Davis Fire District (a component unit of South Davis Metro Fire Agency), as of and for the eighteen month period ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Davis Fire District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of South Davis Fire District as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the eighteen month period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2006, on our consideration of South Davis Fire District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages five through eleven is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

March 6, 2006

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

MANAGEMENT'S DISCUSSION AND ANALYSIS

EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

As management of South Davis Fire District, we offer readers of the South Davis Fire District financial statements this narrative overview and analysis of the financial activities of South Davis Fire District for the eighteen month period ended December 31, 2005.

Financial Highlights

- The assets of South Davis Fire District exceeded its liabilities at the close of the most recent eighteen month period by \$2,429,529 (net assets). Of this amount, \$475,196 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current eighteen month period, South Davis Fire District's governmental funds reported combined ending fund balances of \$375,644. Approximately 71% of this total amount, \$267,960, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current eighteen month period, unreserved fund balance for the general fund was \$111,596, or 8% of total general fund expenditures.
- South Davis Fire District's total capital lease obligations decreased by \$121,587 during the current eighteen month period. The key factor in this decrease was the pay-off of the fire truck capital lease.

Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to South Davis Fire District's basic financial statements. South Davis Fire District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of South Davis Fire District's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of South Davis Fire District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of South Davis Fire District is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent eighteen month period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of South Davis Fire District that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of South Davis Fire District include fire-fighting services. The business-type activities of South Davis Fire District include ambulance transport services and public training.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. South Davis Fire District, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of South Davis Fire District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the eighteen month period. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

South Davis Fire District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Projects Fund, which are considered to be major funds.

South Davis Fire District adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. South Davis Fire District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. South Davis Fire District uses enterprise funds to account for its Ambulance Service and Training Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Ambulance Service and Training Funds, both of which are considered to be major funds of South Davis Fire District.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of South Davis Fire District, assets exceeded liabilities by \$2,429,529 at the close of the most recent eighteen month period.

By far the largest portion of South Davis Fire District's net assets (76%) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. South Davis Fire District uses these capital assets to provide services

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (continued)

to citizens; consequently, these assets are not available for future spending. Although South Davis Fire District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$3,475,644	\$ 461,153	\$ 207,236	\$ 298,385	\$3,682,880	\$ 759,538
Capital assets	<u>1,671,362</u>	<u>1,577,736</u>	<u>175,287</u>	<u>145,023</u>	<u>1,846,649</u>	<u>1,722,759</u>
Total assets	<u>\$5,147,006</u>	<u>\$2,038,889</u>	<u>\$ 382,523</u>	<u>\$ 443,408</u>	<u>\$5,529,529</u>	<u>\$2,482,297</u>
Other liabilities	\$3,100,000	\$ 313,115	\$ —	\$ 29,624	\$3,100,000	\$ 342,739
Long-term liabilities outstanding	<u>—</u>	<u>156,974</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>156,974</u>
Total liabilities	<u>\$3,100,000</u>	<u>\$ 470,089</u>	<u>\$ —</u>	<u>\$ 29,624</u>	<u>\$3,100,000</u>	<u>\$ 499,713</u>
Net assets:						
Invested in capital assets, net of related debt	\$1,671,362	\$1,456,149	\$ 175,287	\$ 145,023	\$1,846,649	\$1,601,172
Restricted	107,684	—	—	—	107,684	—
Unrestricted	<u>267,960</u>	<u>112,651</u>	<u>207,236</u>	<u>268,761</u>	<u>475,196</u>	<u>381,412</u>
Total net assets	<u>\$2,047,006</u>	<u>\$1,568,800</u>	<u>\$ 382,523</u>	<u>\$ 413,784</u>	<u>\$2,429,529</u>	<u>\$1,982,584</u>

A portion of South Davis Fire District's net assets (\$107,684) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$475,196) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current eighteen month period, South Davis Fire District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased South Davis Fire District's net assets by \$478,206. The increase in net assets is due mainly to increases in revenues.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

	Changes in Net Assets					
	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 364,785	\$ 7,095	\$ 146,788	\$ 371,622	\$ 511,573	\$ 378,717
Operating grants and contributions	120,901	50,750	23,412	25,378	144,313	76,128
Capital grants and contributions	—	17,500	—	—	—	17,500
General revenues:						
Intergovernmental revenue	992,581	1,822,263	—	—	992,581	1,822,263
Unrestricted investment earnings	15,651	3,128	2,500	3,297	18,151	6,425
Gain on sale of capital assets	161,429	—	6,631	—	168,060	—
Miscellaneous	28,026	6,665	—	—	28,026	34,691
Total revenues	<u>1,683,373</u>	<u>1,907,401</u>	<u>179,331</u>	<u>400,297</u>	<u>1,862,704</u>	<u>2,335,724</u>
Expenses:						
Administration	422,008	699,449	—	—	422,008	699,449
Operations division	751,499	1,143,909	—	—	751,499	1,143,909
Communications division	14,371	25,101	—	—	14,371	25,101
Support services division	15,551	29,650	—	—	15,551	29,650
Interest on long-term debt	1,738	12,704	—	—	1,738	12,704
Ambulance service	—	—	202,961	282,357	202,961	282,357
Training funds	—	—	7,631	19,349	7,631	19,349
Total expenses	<u>1,205,167</u>	<u>1,910,813</u>	<u>210,592</u>	<u>301,706</u>	<u>1,415,759</u>	<u>2,212,519</u>
Increase (decrease) in net assets	478,206	(3,412)	(31,261)	98,591	446,945	123,205
Net assets – beginning	<u>1,568,800</u>	<u>1,572,212</u>	<u>413,784</u>	<u>315,193</u>	<u>1,982,584</u>	<u>1,887,405</u>
Net assets – ending	<u>\$2,047,006</u>	<u>\$1,568,800</u>	<u>\$ 382,523</u>	<u>\$ 413,784</u>	<u>\$2,429,529</u>	<u>\$2,010,610</u>

- Revenues for the eighteen months ended December 31, 2005 include \$364,785 of impact fees, which were assessed by the five members beginning in September 2004.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Expense and Program Revenue – Governmental Activities

	<u>Expense</u>	<u>Program Revenue</u>	<u>Net Governmental Activities</u>
Administration	\$ 422,008	\$ –	\$ (422,008)
Operations division	751,499	485,686	(265,813)
Communications division	14,371	–	(14,371)
Support services division	15,551	–	(15,551)
Interest on long-term debt	<u>1,738</u>	<u>–</u>	<u>(1,738)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 1,205,167</u>	<u>\$ 485,686</u>	<u>(719,481)</u>
General revenues:			
Intergovernmental revenue			992,581
Unrestricted investment earnings			15,651
Gain on sale of capital assets			161,429
Miscellaneous			<u>28,026</u>
TOTAL GENERAL REVENUES			<u>1,197,687</u>
CHANGE IN NET ASSETS			478,206
NET ASSETS - BEGINNING			<u>1,568,800</u>
NET ASSETS - ENDING			<u>\$ 2,047,006</u>

Business-type activities. Business-type activities decreased South Davis Fire District's net assets by \$31,261.

Expenses and Program Revenues – Business-type Activities

	<u>Expense</u>	<u>Program Revenue</u>	<u>Net Business-type Activities</u>
Ambulance service	\$ 202,961	\$ 168,236	\$ (34,725)
Training funds	<u>7,631</u>	<u>1,964</u>	<u>(5,667)</u>
TOTAL	<u>\$ 210,592</u>	<u>\$ 170,200</u>	<u>\$ (40,392)</u>

Financial Analysis of the Government's Funds

As noted earlier, South Davis Fire District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of South Davis Fire District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing South Davis Fire District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the eighteen month period.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current eighteen month period, South Davis Fire District's governmental funds reported combined ending fund balances of \$375,644. Approximately 71% of this total amount or \$267,960 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of South Davis Fire District. At the end of the current eighteen month period, unreserved (and total) fund balance of the general fund was \$111,596.

The fund balance of South Davis Fire District's general fund decreased by \$24,742 during the current eighteen month period.

Proprietary funds. South Davis Fire District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Ambulance Service Fund at the end of the eighteen month period amounted to \$195,345, and for the Training Funds, unrestricted net assets amounted to \$11,891.

General Funds Budgetary Highlights

The differences between the original budget and the final amended budget were minor (\$49,000 increase in appropriations) or 2.5% of the original budgeted expenditures.

Capital Assets and Debt Administration

Capital assets. South Davis Fire District's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounts to \$1,846,649 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, and vehicles. The total increase in South Davis Fire District's investment in capital assets for the current eighteen month period was \$123,890.

Major capital asset events during the current eighteen month period included the following:

- Purchase of ambulance – \$105,832
- Sale of land at cost of – \$100,150
- Purchase of land – \$249,675
- Purchase of vehicles – \$64,600

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Capital Assets
Net of Depreciation**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 285,975	\$ 136,450	\$ -	\$ -	\$ 285,975	\$ 136,450
Buildings	408,417	429,561	-	-	408,417	429,561
Improvements	14,324	8,906	-	-	14,324	8,906
Equipment and vehicles	<u>962,646</u>	<u>1,002,819</u>	<u>175,287</u>	<u>145,023</u>	<u>1,137,933</u>	<u>1,147,842</u>
TOTAL	<u>\$1,671,362</u>	<u>\$1,577,736</u>	<u>\$ 175,287</u>	<u>\$ 145,023</u>	<u>\$1,846,649</u>	<u>\$1,722,759</u>

Additional information on South Davis Fire District's capital assets can be found in Note 4.

Long-term debt. At the end of the current eighteen month period, South Davis Fire District had no long-term debt outstanding.

**Outstanding Debt
Capital Leases**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Capital lease obligations	\$ -	\$ 121,587	\$ -	\$ -	\$ -	\$ 121,587

South Davis Fire District's total debt decreased by \$121,587 during the current eighteen month period, as a result of the pay-off of the fire truck capital lease.

Additional information on South Davis Fire District's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budget and Rates

- Effective January 1, 2005, South Davis Fire District is a component unit of the South Davis Metro Fire Agency.

Requests for Information

This financial report is designed to provide a general overview of South Davis Fire District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Officer, P.O. Box 1547, Bountiful, Utah 84011-1547.

BASIC FINANCIAL STATEMENTS

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 267,960	\$ 207,236	\$ 475,196
Due from other governmental units	3,207,684	—	3,207,684
Capital assets (net of accumulated depreciation):			
Land	285,975	—	285,975
Buildings	408,417	—	408,417
Improvements	14,324	—	14,324
Equipment and vehicles	<u>962,646</u>	<u>175,287</u>	<u>1,137,933</u>
TOTAL ASSETS	<u>\$ 5,147,006</u>	<u>\$ 382,523</u>	<u>\$ 5,529,529</u>
LIABILITIES:			
Due to other governmental unit	<u>\$ 3,100,000</u>	<u>\$ —</u>	<u>\$ 3,100,000</u>
TOTAL LIABILITIES	<u>\$ 3,100,000</u>	<u>\$ —</u>	<u>\$ 3,100,000</u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 1,671,362	\$ 175,287	\$ 1,846,649
Restricted for capital projects	107,684	—	107,684
Unrestricted	<u>267,960</u>	<u>207,236</u>	<u>475,196</u>
TOTAL NET ASSETS	<u>\$ 2,047,006</u>	<u>\$ 382,523</u>	<u>\$ 2,429,529</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF ACTIVITIES

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
Administration	\$ 422,008	\$ -	\$ -	\$ -	\$ (422,008)	\$ -
Operations division	751,499	364,785	120,901	-	(265,813)	-
Communications division	14,371	-	-	-	(14,371)	-
Support services division	15,551	-	-	-	(15,551)	-
Interest on long-term debt	1,738	-	-	-	(1,738)	-
TOTAL GOVERNMENTAL ACTIVITIES	1,205,167	364,785	120,901	-	(719,481)	-
Business-type activities:						
Ambulance service	202,961	146,773	21,463	-	-	(34,725)
Training funds	7,631	15	1,949	-	-	(5,667)
TOTAL BUSINESS-TYPE ACTIVITIES	210,592	146,788	23,412	-	-	(40,392)
TOTAL	\$ 1,415,759	\$ 511,573	\$ 144,313	\$ -	(719,481)	(759,873)
General revenues:						
Intergovernmental revenue					992,581	-
Unrestricted investment earnings					15,651	2,500
Gain on sale of capital assets					161,429	6,631
Miscellaneous					28,026	-
TOTAL GENERAL REVENUES					1,197,687	9,131
CHANGE IN NET ASSETS					478,206	(31,261)
NET ASSETS - BEGINNING					1,568,800	413,784
NET ASSETS - ENDING					\$ 2,047,006	\$ 382,523
						\$ 2,429,529

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 111,596	\$ 156,364	\$ 267,960
Due from other governmental units	<u>3,100,000</u>	<u>107,684</u>	<u>3,207,684</u>
TOTAL ASSETS	<u>\$ 3,211,596</u>	<u>\$ 264,048</u>	<u>\$ 3,475,644</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Due to other governmental unit	\$ 3,100,000	\$ —	\$ 3,100,000
TOTAL LIABILITIES	<u>3,100,000</u>	<u>—</u>	<u>3,100,000</u>
Fund Balances:			
Reserved for:			
Capital projects	—	107,684	107,684
Unreserved, reported in:			
General fund	111,596	—	111,596
Capital projects fund	<u>—</u>	<u>156,364</u>	<u>156,364</u>
TOTAL FUND BALANCES	<u>111,596</u>	<u>264,048</u>	<u>375,644</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,211,596</u>	<u>\$ 264,048</u>	<u>\$ 3,475,644</u>

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

DECEMBER 31, 2005

Total fund balances - governmental fund types	\$ 375,644
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>1,671,362</u>
Net assets of government activities	<u>\$ 2,047,006</u>

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES:			
Intergovernmental	\$ 1,113,482	\$ —	\$ 1,113,482
Impact fees	—	364,785	364,785
Investment earnings	—	15,651	15,651
Miscellaneous revenue	<u>28,026</u>	<u>—</u>	<u>28,026</u>
TOTAL REVENUES	<u>1,141,508</u>	<u>380,436</u>	<u>1,521,944</u>
EXPENDITURES:			
Current:			
Administration	728,256	249,675	977,931
Operations division	546,326	—	546,326
Communications division	14,371	—	14,371
Support services division	15,551	—	15,551
Debt service:			
Principal	121,587	—	121,587
Interest	<u>1,738</u>	<u>—</u>	<u>1,738</u>
TOTAL EXPENDITURES	<u>1,427,829</u>	<u>249,675</u>	<u>1,677,504</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(286,321)</u>	<u>130,761</u>	<u>(155,560)</u>
OTHER FINANCING SOURCES (USES):			
Sale of capital assets	<u>261,579</u>	<u>—</u>	<u>261,579</u>
NET CHANGE IN FUND BALANCES	(24,742)	130,761	106,019
FUND BALANCES - BEGINNING	<u>136,338</u>	<u>133,287</u>	<u>269,625</u>
FUND BALANCES - ENDING	<u>\$ 111,596</u>	<u>\$ 264,048</u>	<u>\$ 375,644</u>

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 106,019
--	------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	193,776
--	---------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(100,150)
---	-----------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	121,587
---	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>156,974</u>
--	----------------

Change in net assets of governmental activities	<u>\$ 478,206</u>
---	-------------------

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget- Positive (Negative)</u>
REVENUES:				
Intergovernmental	\$1,985,162	\$2,034,162	\$ 1,113,482	\$ (920,680)
Miscellaneous revenues	<u>—</u>	<u>—</u>	<u>28,026</u>	<u>28,026</u>
TOTAL REVENUES	<u>1,985,162</u>	<u>2,034,162</u>	<u>1,141,508</u>	<u>(892,654)</u>
EXPENDITURES:				
Current:				
Administration:				
Salaries	180,441	180,441	160,581	19,860
Employee benefits	433,377	433,377	302,311	131,066
Supplies and general operations	59,741	59,741	29,682	30,059
Improvements and capital outlay	41,800	90,800	235,682	(144,882)
Operations division:				
Fire fighting salaries	999,553	999,553	519,077	480,476
Operations division expense	48,000	48,000	27,249	20,751
Communications division	27,800	27,800	14,371	13,429
Support services division	31,020	31,020	15,551	15,469
Debt service:				
Principal	125,430	123,630	121,587	2,043
Interest	<u>—</u>	<u>1,800</u>	<u>1,738</u>	<u>62</u>
TOTAL EXPENDITURES	<u>1,947,162</u>	<u>1,996,162</u>	<u>1,427,829</u>	<u>568,333</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>38,000</u>	<u>38,000</u>	<u>(286,321)</u>	<u>(324,321)</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	(50,000)	(50,000)	—	50,000
Sale of capital assets	<u>12,000</u>	<u>12,000</u>	<u>261,579</u>	<u>249,579</u>
TOTAL OTHER FINANCING SOURCES AND USES	<u>(38,000)</u>	<u>(38,000)</u>	<u>261,579</u>	<u>299,579</u>
NET CHANGE IN FUND BALANCES	<u>—</u>	<u>—</u>	<u>(24,742)</u>	<u>(24,742)</u>
FUND BALANCES - BEGINNING	<u>136,338</u>	<u>136,338</u>	<u>136,338</u>	<u>—</u>
FUND BALANCES - ENDING	<u>\$ 136,338</u>	<u>\$ 136,338</u>	<u>\$ 111,596</u>	<u>\$ (24,742)</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Ambulance Service</u>	<u>Training Funds</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 195,345	\$ 11,891	\$ 207,236
TOTAL CURRENT ASSETS	<u>195,345</u>	<u>11,891</u>	<u>207,236</u>
NONCURRENT ASSETS:			
Equipment and vehicles	420,212	—	420,212
Less: accumulated depreciation	<u>(244,925)</u>	<u>—</u>	<u>(244,925)</u>
TOTAL NONCURRENT ASSETS	<u>175,287</u>	<u>—</u>	<u>175,287</u>
TOTAL ASSETS	<u>370,632</u>	<u>11,891</u>	<u>382,523</u>
LIABILITIES:			
TOTAL CURRENT LIABILITIES	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL LIABILITIES	<u>—</u>	<u>—</u>	<u>—</u>
NET ASSETS:			
Invested in capital assets, net of related debt	175,287	—	175,287
Unrestricted	<u>195,345</u>	<u>11,891</u>	<u>207,236</u>
TOTAL NET ASSETS	<u>\$ 370,632</u>	<u>\$ 11,891</u>	<u>\$ 382,523</u>

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Ambulance Service</u>	<u>Training Funds</u>	<u>Total</u>
OPERATING REVENUES:			
Fees for services, net	\$ 146,373	\$ 15	\$ 146,388
Other	400	—	400
TOTAL OPERATING REVENUES	<u>146,773</u>	<u>15</u>	<u>146,788</u>
OPERATING EXPENSES:			
Salaries	55,746	—	55,746
Depreciation	71,699	—	71,699
Medical supplies	20,898	—	20,898
Employee benefits	13,441	—	13,441
Vehicle expense	3,515	—	3,515
Repairs, miscellaneous and small equipment	1,551	—	1,551
Office supplies and postage	86	7,631	7,717
Telephone	2,123	—	2,123
Travel and conference	728	—	728
Training and fees	825	—	825
Professional services	28,545	—	28,545
Insurance	3,804	—	3,804
TOTAL OPERATING EXPENSES	<u>202,961</u>	<u>7,631</u>	<u>210,592</u>
OPERATING (LOSS)	<u>(56,188)</u>	<u>(7,616)</u>	<u>(63,804)</u>
NONOPERATING REVENUES (EXPENSES):			
Grants	21,463	1,949	23,412
Interest revenue	2,303	197	2,500
Gain on sale of capital assets	6,631	—	6,631
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>30,397</u>	<u>2,146</u>	<u>32,543</u>
CHANGE IN NET ASSETS	<u>(25,791)</u>	<u>(5,470)</u>	<u>(31,261)</u>
TOTAL NET ASSETS - BEGINNING	<u>396,423</u>	<u>17,361</u>	<u>413,784</u>
TOTAL NET ASSETS - ENDING	<u>\$ 370,632</u>	<u>\$ 11,891</u>	<u>\$ 382,523</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Ambulance Service</u>	<u>Training Funds</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 268,563	\$ 15	\$ 268,578
Payments to suppliers	(81,627)	(7,631)	(89,258)
Payments to employees	<u>(69,187)</u>	<u>—</u>	<u>(69,187)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>117,749</u>	<u>(7,616)</u>	<u>110,133</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Grants	<u>21,463</u>	<u>1,949</u>	<u>23,412</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>21,463</u>	<u>1,949</u>	<u>23,412</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of capital assets	(105,832)	—	(105,832)
Proceeds from sale of capital assets	<u>10,500</u>	<u>—</u>	<u>10,500</u>
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(95,332)</u>	<u>—</u>	<u>(95,332)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>2,303</u>	<u>197</u>	<u>2,500</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,303</u>	<u>197</u>	<u>2,500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,183	(5,470)	40,713
CASH AND CASH EQUIVALENTS - BEGINNING	<u>149,162</u>	<u>17,361</u>	<u>166,523</u>
CASH AND CASH EQUIVALENTS - END	<u>\$ 195,345</u>	<u>\$ 11,891</u>	<u>\$ 207,236</u>

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Ambulance</u>	<u>Training</u>	<u>Total</u>
	<u>Service</u>	<u>Funds</u>	
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating (loss)	\$ (56,188)	\$ (7,616)	\$ (63,804)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	71,699	—	71,699
Decrease in accounts receivable	121,790	—	121,790
Decrease in inventory	10,072	—	10,072
(Decrease) in accounts payable	(29,624)	—	(29,624)
 TOTAL ADJUSTMENTS	 173,937	 —	 173,937
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 \$ 117,749	 \$ (7,616)	 \$ 110,133

NOTES TO FINANCIAL STATEMENTS

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTH PERIOD ENDED
DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The South Davis Fire District (here-in-after referred to as the "District") was organized in July 1981 between Davis County, Woods Cross City, Centerville City and West Bountiful City. North Salt Lake City joined the District in 1985. The purpose of the District is to provide fire protection for the areas under the jurisdiction of these political bodies. Effective October 2, 1995 a new Interlocal Agreement was entered into by political bodies creating a formal Fire District. The duration of this new agreement is fifty years from the effective date.

Merger of the South Davis Ambulance Association

Effective December 1, 1997, South Davis Fire District signed an Asset Transfer Agreement with South Davis Ambulance Association and merged the Ambulance Association into the District. The District recorded all assets at book value. The equipment was recorded at book value and is being depreciated over the remaining estimated useful lives.

Formation of New Fire Agency

Effective January 1, 2005, the five members entered into a new Interlocal Agreement, along with Bountiful City, to form a new fire agency. Effective January 1, 2005, the District is a component unit of South Davis Metro Fire Agency and its financial statements are included in the financial statements of South Davis Metro Fire Agency. The District does not have any component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (continued)

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the District is that (1) the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) the District has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The existing enterprise funds account for ambulance operations and public and CERT training.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* is used to account for resources designated to acquire or construct capital assets which may require more than one fiscal year for completion.

The government reports the following major proprietary funds:

The *ambulance service fund* accounts for the activities of the ambulance operations of the District.

The *training funds* account for the activities of the District's public and CERT training programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private sector guidance.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheet but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

E. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the District have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements.

A formal budget has been adopted and used as a control device.

The budget presented for the General Fund is designated as a revised budget. Throughout the year, the Board of Fire Commissioners approves all expenditures and makes amendments to the District's budget. Near year end, the Board makes final amendments to the budget.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting (continued)

The budget passed for the Capital Projects Fund is an annual budget, based on estimates of annual expenditures. This budget is not based on project length for long-term capital projects.

No budget is presented in these financial statements for the Proprietary Funds. State law allows the District to amend the Proprietary Funds budget without public hearing or public notice.

F. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the ambulance service and training funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for short-term interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

H. Capital Assets

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, fixed assets are treated as capital assets. Capital assets include land, buildings, improvements, equipment, and vehicles. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-50
Improvements	50
Equipment	5-15
Vehicles	5

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

J. Compensated Absences

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used. Effective January 1, 2005, all employees of the District became employees of South Davis Metro Fire Agency. The Agency also assumed the District's liability for compensated absences on this date. As a result, the District has no liability for compensated absences at December 31, 2005.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$193,776 difference are as follows:

Capital outlay	\$ 422,331
Depreciation expense	<u>(228,555)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 193,776</u>

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on deposit	\$ 47,277	\$ 33,857
TOTAL	\$ 47,277	\$ 33,857

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2005, none of the District's bank balances were uninsured and uncollateralized.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (continued)

Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
State of Utah Public Treasurer's Investment Fund	\$ 441,339	\$ 441,339	\$ -	\$ -	\$ -

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of December 31, 2005, the District's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk.

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

Capital asset activity for the eighteen month period ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	<u>\$ 136,450</u>	<u>\$ 249,675</u>	<u>\$(100,150)</u>	<u>\$ 285,975</u>
Capital assets being depreciated:				
Buildings	667,868	—	—	667,868
Improvements	12,720	6,000	—	18,720
Equipment and vehicles	<u>1,864,143</u>	<u>166,656</u>	<u>(24,931)</u>	<u>2,005,868</u>
TOTAL	<u>2,544,731</u>	<u>172,656</u>	<u>(24,931)</u>	<u>2,692,456</u>
Less accumulated depreciation for:				
Buildings	(238,307)	(21,144)	—	(259,451)
Improvements	(3,814)	(582)	—	(4,396)
Equipment and vehicles	<u>(861,324)</u>	<u>(206,829)</u>	<u>24,931</u>	<u>(1,043,222)</u>
TOTAL	<u>(1,103,445)</u>	<u>(228,555)</u>	<u>24,931</u>	<u>(1,307,069)</u>
 TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	 <u>1,441,286</u>	 <u>(55,899)</u>	 <u>—</u>	 <u>1,385,387</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 1,577,736</u>	<u>\$ 193,776</u>	<u>\$(100,150)</u>	<u>\$ 1,671,362</u>
 BUSINESS-TYPE ACTIVITIES:				
Capital assets being depreciated:				
Equipment and vehicles	<u>\$ 384,116</u>	<u>\$ 105,832</u>	<u>\$ (69,736)</u>	<u>\$ 420,212</u>
TOTAL	<u>384,116</u>	<u>105,832</u>	<u>(69,736)</u>	<u>420,212</u>
Less accumulated depreciation for:				
Equipment and vehicles	<u>(239,093)</u>	<u>(71,699)</u>	<u>65,867</u>	<u>(244,925)</u>
TOTAL	<u>(239,093)</u>	<u>(71,699)</u>	<u>65,867</u>	<u>(244,925)</u>
 TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	 <u>145,023</u>	 <u>34,133</u>	 <u>(3,869)</u>	 <u>175,287</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 145,023</u>	<u>\$ 34,133</u>	<u>\$ (3,869)</u>	<u>\$ 175,287</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:	
Administration	\$ 23,382
Operations division	<u>205,173</u>
 TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	 <u>\$ 228,555</u>
 BUSINESS-TYPE ACTIVITIES:	
Ambulance service	<u>\$ 71,699</u>
 TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	 <u>\$ 71,699</u>

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. LONG-TERM LIABILITIES

Long-term liability activity for the eighteen month period ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
Capital leases	\$ 121,587	\$ —	\$ (121,587)	\$ —	\$ —
Accrued Compensated Absences	156,974	—	(156,974)	—	—
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 278,561</u>	<u>\$ —</u>	<u>\$ (278,561)</u>	<u>\$ —</u>	<u>\$ —</u>

6. CAPITAL LEASES

The District entered into a lease agreement as lessee for financing the acquisition of a fire truck. This lease agreement qualified as a capital lease for accounting purposes, and, therefore, was recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	<u>Governmental Activities</u>
ASSET:	
Equipment and vehicles	\$ 508,641
Less: accumulated depreciation	<u>(220,643)</u>
 TOTAL	 <u>\$ 287,998</u>

During the eighteen month period ending December 31, 2005, the District paid the remaining balance due under the capital lease agreement.

7. EMPLOYER DEFINED BENEFIT PENSION PLAN

Plan Description

The District contributes to the Local Governmental Noncontributory Retirement System, and Firefighters Retirement System, which are for employers without Social Security coverage, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. EMPLOYER DEFINED BENEFIT PENSION PLAN (CONTINUED)

Governmental Noncontributory Retirement Systems, and Firefighters Retirement System, which are for employers without Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1 (800) 365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the District is required to contribute 11.09% of their annual covered salary. In the Firefighters Retirement System for employers without Social Security, covered plan members are required to contribute 7.83% of their annual covered salary (all was paid by the employer for the employee). The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions for the Noncontributory Retirement System for the eighteen months ended December 31, 2005 and the years ended June 30, 2004 and 2003 were \$1,907, \$3,191, and \$2,715 respectively on covered salaries of \$17,196, \$33,172, and \$31,242 respectively. The Firefighters Retirement System contributions for the eighteen months ended December 31, 2005 and the years ended June 30, 2004 and 2003 were \$34,415, \$64,325, and \$60,742 respectively on covered salaries of \$439,518, \$821,524, and \$775,763 respectively. The contributions were equal to the required contributions for each year.

401(k) Plan

Employees of the District may also participate in a 401(k) Defined Contribution Plan. The District's contributions to the Plan for the eighteen months ended December 31, 2005 and the years ended June 30, 2004 and 2003 were \$2,316, \$4,104, and \$6,422 respectively. Employee contributions made to the 401(k) plan for the eighteen months ended December 31, 2005, and the years ended June 30, 2004 and 2003 were \$1,755, \$3,031, and \$3,541, respectively.

8. DEFERRED COMPENSATION PLAN

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB No. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than as an "Agency Fund". Currently, all of the assets and income of the 457 Plan are held in trust by the Utah Retirement Systems for the exclusive benefit of the participants or their beneficiaries rather than as assets of the District. Employer paid contributions for the eighteen months ended December 31, 2005 and the years ended June 30, 2004 and 2003 were \$10,797, \$21,637, and \$18,173 respectively.

9. COMMITMENTS

Operating Leases

North Salt Lake City and the District entered into an agreement whereby North Salt Lake City agreed to make available to the District approximately 7,140 square feet of space located in the North Salt Lake City Office Complex. From June 30, 1999 until June 30, 2037, or the life of the agreement, North Salt Lake City shall charge the District only the actual costs of providing insurance and utilities to the portion

SOUTH DAVIS FIRE DISTRICT
(a Component Unit of South Davis Metro Fire Agency)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. COMMITMENTS (CONTINUED)

of the building occupied by the District. For the eighteen month period ended December 31, 2005 the District paid \$7,081 to North Salt Lake City on this lease.

Centerville City and the District entered into an agreement on October 2, 1995, whereby the City agreed to lease to the District the real property commonly known as Station No. 3. A nominal sum of \$1 per year is required and the lease has a term of fifty years.

The District pays a drainage tax to Centerville City. Total expense for the eighteen months ended December 31, 2005 amounted to \$130.

10. RELATED PARTIES

The District is operated by tax revenues supplied by five municipalities. The governing board is comprised of the officials of these municipalities. During the eighteen month period ended December 31, 2005, these entities provided the following revenues to the District for its operations:

North Salt Lake City	\$ 351,981
Centerville City	280,532
Davis County	64,568
West Bountiful City	117,812
Woods Cross City	<u>177,688</u>
	<u>\$ 992,581</u>



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David L. Posey, CPA
Roger O. Richins, CPA
James R. Beaudoin, PES, CTR, CPA
Wade K. Williams, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Fire Commissioners
South Davis Fire District

We have audited the financial statements of South Davis Fire District, a component unit of South Davis Metro Fire Agency, as of and for the eighteen month period ended December 31, 2005, and have issued our report thereon dated March 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether South Davis Fire District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Davis Fire District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Fire Commissioners, management, and applicable regulatory agencies. It is not intended to be and should not be used by anyone other than these specified parties.

March 6, 2006



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Ronald D. Robbins, CPA
David T. Posey, CPA
Roger O. Richins, CPA
James R. Beaudoin, PES, CFP, CPA
Wade K. Wadkin, CPA

INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

Board of Fire Commissioners
South Davis Fire District

We have audited the financial statements of South Davis Fire District, a component unit of South Davis Metro Fire Agency, for the eighteen month period ended December 31, 2005, and have issued our report thereon dated March 6, 2006. The District received the following nonmajor grants, which are not required to be audited for specific compliance requirements. However, these programs were subject to testwork as part of the audit of the District's financial statements.

FEMA Firefighters Grant
EMS Grant Equipment
CERT Grant

Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Cash Management
Purchasing Requirements
Budgetary Compliance

Special Districts
Other General Compliance Issues
Impact Fees and Other Development Fees

The District did not receive any major State grants during the eighteen month period ended December 31, 2005.

The management of South Davis Fire District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, South Davis Fire District, complied, in all material respects, with the general compliance requirements identified above for the eighteen month period ended December 31, 2005.

March 6, 2006



PINNOCK, ROBBINS, POSEY & RICHINS

Certified Public Accountants • A Professional Corporation

Donald D. Robbins, CTA
David T. Posey, CPA
Roger O. Pinnock, CTA
James R. Brandoine, Ph.D., CPA, CTA
Wade K. Watkins, CPA

March 6, 2006

To the Board of Fire Commissioners
South Davis Fire District

Dear Members:

We have completed our audit of South Davis Fire District for the eighteen months ended December 31, 2005. South Davis Fire District is ultimately responsible for the financial condition of the District, and for the District's compliance with finance related state and federal law. The Uniform Fiscal Procedures Act outlines responsibilities of the governing body.

The purpose of the financial statements is to report in summary form, the financial condition of the District, and the results of its operations and changes in financial condition, and to provide information to the governing body to help them satisfy their legal and political responsibilities for determining and demonstrating compliance with the various finance related state and federal law.

During our audit, we observed the District has made significant efforts to establish good accounting procedures and controls. Accounting controls are established to safeguard assets and to provide reliable financial and accounting information to the member entities. We commend the District and its employees for their efforts in this area. During our audit we noted no matters involving the internal control structure and other operational matters for your consideration.

We sincerely appreciate the cooperation we received from the management and employees of the District during the course of the audit. It has been a pleasure working with them. We appreciate the opportunity to serve as your auditors. If you have any questions regarding any of the matters discussed, please feel free to contact us.


PINNOCK, ROBBINS, POSEY & RICHINS, PC